

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Downriver Recreation Commission</u>	County St. Clair
Audit Date June 30, 2004	Opinion Date August 20, 2004	Date Accountant Report Submitted To State: January 18, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 10 S. Main Street, Suite 200	City Mount Clemens	State MI	ZIP 48043-7903
Accountant Signature 			

Downriver Recreation Commission

Financial Report with Supplemental Information June 30, 2004

Downriver Recreation Commission

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Plante & Moran, PLLC
Suite 200
10 S. Main St.
Mount Clemens, MI 48043
Tel: 586.465.2200
Fax: 586.469.0165
plantemoran.com

Independent Auditor's Report

To the Board Members
Downriver Recreation Commission
Algonac, Michigan

We have audited the basic financial statements of the Downriver Recreation Commission as of June 30, 2004 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Downriver Recreation Commission at June 30, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Downriver Recreation Commission. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

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To the Board Members
Downriver Recreation Commission
Algonac, Michigan

As discussed in Note 5, the Downriver Recreation Commission adopted Governmental Accounting Standards Board Statement No. 34 during the current year. As a result, these financial statements present entirely new financial information, including both the modified and full accrual basis of accounting.

Plante & Moran, PLLC

August 20, 2004

Downriver Recreation Commission

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2004

	General Fund - Modified Accrual Basis	Adjustments	Statement of Net Assets - Full Accrual Basis
Assets - Cash and cash equivalents (Note 2)	<u>\$ 24,042</u>	\$ -	\$ 24,042
Liabilities - Accrued liabilities	\$ 10,527	-	10,527
Fund Balance - Unreserved/Undesignated	<u>13,515</u>	(13,515)	-
Total liabilities and fund balance	<u>\$ 24,042</u>		
Net Assets - Unrestricted		<u>\$ 13,515</u>	<u>\$ 13,515</u>

Downriver Recreation Commission

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2004

	General Fund - Modified Accrual Basis	Adjustments	Statement of Activities - Full Accrual Basis
Revenue			
Recreation fees	\$ 62,852	\$ -	\$ 62,852
Ticket sales	7,284	-	7,284
Intergovernmental revenue:			
Township of Clay	39,200	-	39,200
City of Algonac	39,200	-	39,200
Skate park contributions	233	-	233
Grant income	2,420	-	2,420
Interest	213	-	213
Other income	8,614	-	8,614
Total revenue	160,016	-	160,016
Expenditures			
Recreation coordinator	41,371	-	41,371
Summer staff	28,470	-	28,470
Insurance	2,972	-	2,972
Fringe benefits	15,628	-	15,628
Travel and conference	1,343	-	1,343
Telephone	880	-	880
Payroll service	331	-	331
Supplies and publicity	11,652	-	11,652
Class instruction	37,556	-	37,556
Other sports and activities	12,844	-	12,844
Special events	3,306	-	3,306
Crafts and field	732	-	732
Concerts	4,350	-	4,350
Cost of tickets	7,637	-	7,637
Audit	960	-	960
Equipment	303	-	303
Skate park maintenance	48	-	48
Total expenditures	170,383	-	170,383
Excess of Expenditures Over Revenue/Change in Net Assets	(10,367)	-	(10,367)
Fund Balance/Net Assets - Beginning of year	23,882	-	23,882
Fund Balance/Net Assets - End of year	<u>\$ 13,515</u>	<u>\$ -</u>	<u>\$ 13,515</u>

Downriver Recreation Commission

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Downriver Recreation Commission (the "Commission") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement significantly changed the Commission's financial statements by including full accrual accounting for all of the Commission's activities. This change is reflected in the accompanying financial statements (including notes to the financial statements).

Reporting Entity

The Downriver Recreation Commission is the recreational policymaking authority for the City of Algonac, the Township of Clay, and the Algonac Community School District. The primary organizational goal is to meet residential recreational needs to the greatest extent possible during all seasons of the year, for all age groups, and for both sexes.

The Commission is governed by a nine-member commission. The City of Algonac, the Township of Clay, and the Algonac Community School District each appoint three members to the Commission. There are no component units that are required to be included in this reporting entity.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Commission's basic financial statements include both the Commission's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Downriver Recreation Commission

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of net assets includes and recognizes all long-term assets and receivables.

Fixed Assets - The Commission's annual capital acquisitions are insignificant and are therefore not capitalized on the full accrual financial statements.

Modified Accrual Financial Statements

The modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Commission is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Commission's deposits are in accordance with statutory authority.

Downriver Recreation Commission

Notes to Financial Statements June 30, 2004

Note 2 - Deposits (Continued)

At year end, the cash and cash equivalents reported in the basic financial statements consist entirely of deposits. These deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$24,042. The entire amount was covered by federal depository insurance.

Note 3 - Budget Information

The annual budget is prepared by the Commission Treasurer and adopted by the Commission's Board; subsequent amendments are approved by the Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America and adopted at the activity level (as shown in the required supplemental information budgetary comparison schedule - General Fund).

Excess of Expenditures Over Appropriations - During the year, the Commission incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual
General Fund:		
Supplies and publicity	\$ 8,750	\$ 11,652
Class instruction	24,700	37,566
Other sports and activities	10,300	12,844
Special events	1,900	3,306
Audit	700	960

The unfavorable variances were caused by unanticipated expenditures that became necessary during the year.

Downriver Recreation Commission

Notes to Financial Statements June 30, 2004

Note 4 - Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Commission participates in the state pool program of the Michigan Municipal Risk Management Authority ("the Authority") for claims relating to property loss, torts, and errors and omissions. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Commission is covered under Clay Township's workers' compensation insurance plan.

The state pool program of the Michigan Municipal Risk Management Authority risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 5 - Accounting and Reporting Change

GASB Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Commission has applied the provisions of this statement in the accompanying financial statements (including notes to the financial statements). Certain significant changes in the statements include the following:

- Financial statements prepared using full accrual accounting for the Commission as a whole

Required Supplemental Information

Downriver Recreation Commission

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Recreation fees	\$ 50,000	\$ 50,000	\$ 62,852	\$ 12,852
Ticket sales	10,000	10,000	7,284	(2,716)
Intergovernmental revenue:				
Township of Clay	38,000	39,200	39,200	-
City of Algonac	38,000	39,200	39,200	-
Skate park contributions	1,500	1,500	233	(1,267)
Grant income	1,000	1,000	2,420	1,420
Interest	700	700	213	(487)
Other income	600	600	8,614	8,014
Total revenue	139,800	142,200	160,016	17,816
Expenditures				
Recreation coordinator	42,900	45,300	41,371	3,929
Summer staff	32,000	32,000	28,470	3,530
Insurance	3,925	3,925	2,972	953
Fringe benefits	17,000	17,000	15,628	1,372
Travel and conference	1,350	1,350	1,343	7
Telephone	960	960	880	80
Payroll service	400	400	331	69
Supplies and publicity	8,750	8,750	11,652	(2,902)
Class instruction	24,700	24,700	37,556	(12,856)
Other sports and activities	10,300	10,300	12,844	(2,544)
Special events	1,900	1,900	3,306	(1,406)
Crafts and field	2,500	2,500	732	1,768
Concerts	5,000	5,000	4,350	650
Cost of tickets	10,000	10,000	7,637	2,363
Audit	700	700	960	(260)
Equipment	300	300	303	(3)
Skate park maintenance	500	500	48	452
Total expenditures	163,185	165,585	170,383	(4,798)
Excess of Expenditures over Revenue	(23,385)	(23,385)	(10,367)	13,018
Fund Balance - Beginning of year	23,882	23,882	23,882	-
Fund Balance - End of year	\$ 497	\$ 497	\$ 13,515	\$ 13,018